GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:677
ANSWERED ON:03.12.2004
RESTRICTION ON FDI IN INSURANCE
Shiwankar Shri Maha Deo Rao

Will the Minister of FINANCE be pleased to state:

(a) whether the development of insurance sector is being affected on account of imposing restriction on the limit of foreign direct investment in insurance sector to 26 per cent,

(b) if so, the remedial steps being taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b): An Insurance company continuously requires additional capital for growth of business. However, Indian promoters, at times, are not in a position to contribute additional capital proportionate to their share-holding in the insurance companies. There is, therefore, demand for increase in Foreign Direct Investment (FDI) in the insurance sector. In view of this, the Hon`ble Finance Minister has made an announcement in the Budget Speech 2004-05 for hike in the FDI from 26% to 49% in the insurance sector.